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C O N F I D E N T I A L QUITO 000879

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [ASEC](#) [EC](#)

SUBJECT: ECUADOR: IS A PALACIO GOVERNMENT SUSTAINABLE?

Classified By: Amb. Kristie A. Kenney for reasons 1.4 (b) and (d)

1. (C) Summary: A Palacio government could prove sustainable in the short term (1-3 months), but will come under increasing pressure to call new elections after its first month. End Summary.

2. (C) Key factors behind this judgment:

-- Palacio has the support of the military and police high command.

-- Palacio has the backing of the PSC, with 22 seats, the largest party in Congress.

-- The elevation of Palacio was also backed by the following political parties: ID (14), MPD (3), Pachakutik (4), Socialists (3), DP (3), PRIAN (1) and 10 independents.

-- Palacio will include PSC and ID members in his cabinet.

-- The main indigenous organization (CONAIE) supported Palacio as Gutierrez' replacement. Key indigenous leaders tell us that Palacio will be acceptable for 1-3 months only, however, until new elections can be held.

-- Street reaction has calmed since Palacio was sworn in, after an initial negative reaction. That reaction appears directed more at Congress than Palacio, who has emphasized that he is not a career politician. Radio La Luna has called on protesters to desist for the moment.

-- Pressures will mount on Palacio to announce early elections (he has rejected this as unconstitutional, but could do so by referendum) or should his early decisions revive street protests. Thus far, his public statements have mollified the protesters, which have operated independently of political parties.

KENNEY